



State of Wisconsin \ DEPARTMENT OF MILITARY AFFAIRS
Wisconsin Emergency Management

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Date: May 13, 2008

To: Hazard Mitigation Grant Program (HMGP) Applicants or Subgrantees

From: Roxanne Gray, State Hazard Mitigation Officer

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Subject: Increased Cost of Compliance (ICC) Coverage

Increased Cost of Compliance (ICC) coverage is an additional way to help recover a building structure after a flood and is a part of most Standard Flood Insurance Policies (SFIP). ICC coverage provides for the payment of a claim for the cost to comply with State or community floodplain management laws or ordinances after a direct physical loss caused *by flooding*. To qualify for ICC coverage, property owners must have an NFIP flood insurance policy in effect at the time of the loss. If eligible for ICC coverage, a homeowner can collect up to \$30,000 for the cost to assist in the mitigation actions that can help reduce future damages. ICC funds can *only* be used to floodproof, relocate, elevate, or demolish (FRED) a damaged building to bring it into compliance with local floodplain regulations. ICC coverage is available regardless of whether the flood results in a Presidential declaration or not.

ICC coverage is available on nonresidential buildings; however, this category only includes public and government buildings, such as schools, libraries, and municipal buildings, insured under the SFIP. Under ICC coverage, the building must be elevated, floodproofed, demolished, or relocated as soon as reasonably possible. The timeframe must not exceed two (2) years from the date of the substantial damage or repetitive loss declaration.

There are four (4) key components to ICC coverage:

1. The community must participate in the National Flood Insurance Program (NFIP);
2. The community practices floodplain management to prevent new development from increasing flood threats, protect new buildings and buildings built prior to Flood Insurance Rate Maps (FIRMs) from anticipated flood events, and protect buildings that are being substantially improved or being repaired as a result of being substantially damaged in a disaster;
3. The mitigation measure must comply with the local floodplain management ordinance; and,
4. The structure must be substantially damaged (which means the community says the cost to repair the flooded property is 50% or more of its pre-disaster market value) or the structure is identified as a NFIP repetitive loss property.

Typically after a flood, the property owner should report the flood loss to the insurer and in return, the claims representative will estimate the flood damage and inform the policyholder if they are eligible for ICC benefits. In the event the property is either substantially damaged or determined to be a repetitive loss property, the community's building department or floodplain administrator will discuss mitigation options that comply with floodplain regulations.

What this means for HMGP subgrants:

1. Structures included in a HMGP application for elevation, have flood insurance coverage, and have been determined to be substantially damaged under the local floodplain ordinance, may be eligible for ICC up to \$30,000 to elevate the structure. Eligible costs to elevate the structure that exceed \$30,000 would be eligible through the HMGP.
2. Structures included in a HMGP application for acquisition and demolition, have flood insurance coverage, and have been determined to be substantially damaged under the local floodplain ordinance, may be eligible for ICC up to \$30,000 to demolish the structure. If demolition exceeds the \$30,000, the additional costs would be eligible through the HMGP.

Any ICC payments on projects included in a HMGP application, can be applied towards the local/subgrant match requirement.

In both cases, it is the policyholder's responsibility to provide the community's written substantial damage determination (from building department, floodplain administrator, zoning administrator, etc.) to the claims representative. The claims representative will set up an ICC claims file.

For those communities acquiring properties which have been determined to be substantially damaged under the local floodplain zoning ordinance should contact the property owners with the flood insurance coverage (which includes the ICC benefit). The community must inform the policyholder that they can assign their ICC benefits to the community. If benefits are assigned to the community to integrate into the mitigation project, the community becomes responsible for submitting all of the appropriate paperwork. Additional language is needed in the offer to purchase so that there is an understanding between the property owner and the community on the use of the ICC benefit.

WEM staff will inquire to FEMA's Region V NFIP coordinator to clarify the detailed ICC claims process for elevations and a subsequent memo will follow. ICC coverage brochures and handouts are posted to the Wisconsin Emergency Management's Hazard Mitigation website under Hazard Mitigation Programs <http://emergencymanagement.wi.gov/>. In addition, portions of the National Flood Insurance Program's "Increased Cost of Compliance Coverage: Guidance for State and Local Officials" (FEMA 301) are posted on WEM's website. If you have any questions, please feel free to contact Roxanne Gray at 608-242-3211 or Lynsey Kowski at 608-242-3222.

Attachment: ICC Checklist